

Additional Help: 216
File Name: 216sab_041702_cd27
Last Revised: 04/17/2002

USAID GENERAL NOTICE

POLICY A/AID

5/22/95

SUBJECT:
**Policy Principles for Award of Assistance Instruments
to PVOs and NGOs
for Development and Humanitarian Assistance**

On April 11, 1995, I signed the attached policy statement which lays out a framework for the Agency's procurement relationship with the nonprofit community of private voluntary organizations (PVOs) and non-governmental organizations (NGOs). The policy statement was developed by the Advisory Committee on Voluntary Foreign Aid (ACVFA) in collaboration with the Office of Procurement and the Office of Private and Voluntary Cooperation. The subjects covered include: the use of grants and cooperative agreements; the role of USAID staff in managing assistance instruments; advance planning of assistance actions; reporting requirements; and others.

The policy principles apply to the award of grants and cooperative agreements between USAID and PVOs and NGOs through the Agency's procurement system, which, as defined in the document, encompasses the entire process from identification of a program requirement, through allocation of funding, to final award and execution of a grant, cooperative agreement, or contract. As part of the Agency's reengineering and procurement reform agenda, the principles focus on clarity and consistency in the application of policies, as well as simplification of administrative procedures.

I strongly endorse these principles and am asking all staff to use them to guide the programming of assistance through PVOs and NGOs. In order to implement these principles fully, changes in Handbooks and operating procedures will be necessary. More detailed guidance will be developed by the Office of Procurement and communicated to staff in the upcoming weeks.

J. Brian Atwood

Point of Contact: Gary Kinney, M/OP, 703-875-1204

Policy Principles

Principles For Award of Assistance Instruments to PVOs and NGOs for Development and Humanitarian Assistance

I. Introduction

USAID views private voluntary organizations (PVOs) and non-governmental organizations (NGOs) as development partners - partners who are playing increasingly important roles in our assistance efforts. As USAID's relationships with these organizations have evolved and expanded, the system through which we engage their partnership has become more complex and burdensome. Increasingly, our administrative procedures have tended to hinder, rather than support, the achievement of our mutual development objectives.

The principles stated herein are based on the belief that a distinct set of administrative standards and procedures should govern USAID's relationship with nonprofits. The standards USAID uses should be simple, clear and consistent, and tailored to the unique strengths of the voluntary community.

This Policy Statement applies to the award of grants and cooperative agreements, which is the preferred method of cooperation between USAID and the PVO/NGO community. When contracts are solicited by USAID, the FAR/AIDAR procedures will be used, and PVOs and NGOs seeking such contracts will follow those Regulations.

These guiding principles are intended to assist missions and bureaus in applying consistent policies and procedures to assistance instruments for PVOs and NGOs. As used throughout this document, the term "procurement" encompasses the entire process from identification of a program requirement, through allocation of funding, to final award and execution of a grant, cooperative agreement, or contract.

In addition to providing basic parameters for USAID's relationship with PVOs/NGOs that deliver U.S. foreign assistance, this policy statement covers such issues as:

- the use of cooperative agreements, including guidelines for "substantial involvement;"
- the role of USAID staff in managing assistance instruments;
- advance planning of assistance actions;
- simplification of administrative approvals;
- the use of automation for increasing efficiency and access to the system; and
- reporting requirements.

Other important issues, such as cost-sharing and streamlining of registration procedures, are covered in other documents.

II. Background

The National Performance Review set in motion a government-wide re-evaluation of the federal procurement system to achieve greater efficiency, responsiveness and results. USAID's reinvention efforts over the past year spawned a comprehensive procurement reform agenda that is geared toward overhauling the way we administer all of our procurement activities.

During this process we have opened a dialogue with our PVO/NGO partners. The Advisory Committee on Voluntary Foreign Aid and InterAction have clearly communicated to us in public meetings this past year their views on the need for reform and specific recommendations for improvement. In addition, we have heard from numerous individual organizations and Agency staff.

Two important reports, the USAID/PVO Task Force Report and CDIE's draft study "Development Through PVOs and NGOs," also highlight areas in which PVOs, NGOs, and USAID staff experience difficulty with the system through which we provide assistance to the PVO/NGO community. Both reports suggested specific actions, calling for simplification and standardization of procedures, clear communication of reforms, and a shift in emphasis from micro-management to performance and results.

USAID's procurement reform efforts attempt to effect these changes. We are working to ensure a system that combines effective oversight with trust and confidence in our PVO/NGO partners.

III. Scope and Authority

A. Purpose of Principles. This policy statement is intended to provide guidance on broad principles to be applied in the award of assistance instruments (grants and cooperative agreements) to PVOs and NGOs.

B. Scope and applicability. These principles describe USAID's general policies governing all assistance instruments (grants and cooperative agreements) with PVOs and NGOs.

C. Modifications to principles and USAID Handbooks. Application of these principles will require substantial modification to existing language in USAID Handbooks, especially Handbook 13 and other documents. The principles themselves may be modified as USAID gains experience in implementing reforms.

The Agency encourages interested parties to identify and communicate changes that may be needed. A quality control unit has been established within the Office of Procurement to coordinate these suggestions and concerns, and also to establish uniformity of treatment during the process of providing assistance to PVOs and NGOs.

IV. Definition of Terms

A. Procurement Contract. An instrument used for the acquisition, by purchase, lease, or barter, of property or services for the direct benefit, or use of USAID. A contract may also be used in any situation where USAID determines it is appropriate.

B. Assistance Instrument. A grant or cooperative agreement.

C. Grant. A conditional award of support where the purpose of the relationship is the transfer of money, property, services, or anything of value to the recipient in order to accomplish a public purpose of support or stimulation authorized by Federal statute and in connection with which substantial involvement by USAID is not contemplated.

D. Cooperative Agreement. A conditional award of support where the purpose of the relationship is the transfer of money, property, services, or anything of value to the recipient in order to accomplish a public purpose of support or stimulation authorized by Federal statute and in which substantial involvement by USAID is contemplated in the agreement.

E. Substantial Involvement. The degree of participation by USAID, as set out by the agreement, which is expected to include collaboration or participation in the management of the program.

V. Policy Principles

A. General Policy

As a matter of general policy, USAID must achieve a higher degree of standardization of policy and procedure governing procurement and the provision of assistance to PVOs and NGOs. There must be greater consistency by Agency staff in interpreting guidance related to procurement actions and assistance instruments. USAID has developed a Customer Service Plan which establishes performance standards for the Office of Procurement (M/OP). We are committed to maintaining the high standards set forth in this plan (see Attachment 1) in the provision of assistance to PVOs and NGOs.

Certain general principles will govern all USAID procurement and assistance instrument transactions. These are:

1. All written communications concerning the regulations, procedures, and actions that govern procurement and the provision of assistance will be clear and "user-friendly."
2. All USAID offices have responsibility for spacing procurement and assistance actions as evenly as possible throughout the year. To facilitate this process, USAID will make its internal funding allocations as early in the fiscal year as possible.
3. All USAID offices will ensure that their upcoming procurement and assistance actions are incorporated into the Office of Procurement's automated information system.
4. All contracting and technical officers with oversight responsibilities for assistance instruments will be trained in, and fully conversant with, all appropriate policies and procedures concerning those instruments, and will be expected to demonstrate sensitivity to the philosophy that undergirds USAID's relationship with the community eligible for such assistance.
5. Contracting, program and technical staff should collaborate and work as a team during project negotiation and implementation, so that the procurement and assistance process is coordinated and the number of separate meetings and communications is reduced.

B. Policies Governing Assistance Instruments To PVOs/NGOs

The system through which USAID awards assistance instruments to PVOs and NGOs will be based on coherent policies that are interpreted and applied in a consistent manner by all operating units. The system will be efficient, transparent, and open to all PVOs and NGOs, including smaller organizations that have not traditionally done business with USAID.

USAID will work with PVOs and NGOs in an ongoing consultative process to review assistance requirements in light of the unique characteristics of PVOs/NGOs, and in light of the special considerations that arise for both USAID and PVOs in doing business overseas. USAID will seek relief from unduly constraining regulations via legal and/or regulatory means, wherever possible.

To the extent practicable, USAID will expand its pilot test for the pre-approval of organizations whose internal management systems meet established standards for the award of assistance instruments. USAID will permit referencing these standards in all assistance instruments between USAID and PVOs/NGOs which have such pre-approved standards.

PVOs and NGOs will be responsible for establishing and administering comprehensive management systems. USAID will expect PVOs and NGOs to exercise sound business judgment and to strive continually for greater cost and systems efficiency. PVOs and NGOs will commit to focus their programs on fundamental objectives and results, and will strive to have those results explicitly stated in the assistance instruments and related documentation.

Specific actions have already been taken to streamline USAID's award and management of assistance instruments. These recent reforms are summarized in Attachment 2.

The following four basic principles will govern all transactions related to assistance instruments between USAID and PVOs/NGOs:

1. Assistance instruments must be based on a level of trust between USAID and PVOs/NGOs, and should capitalize on the flexibility and creativity of the Agency's PVO/NGO partners.
2. The systems and procedures that constitute the operational relationship between USAID and the PVO/NGO community must support rather than impede the achievement of program objectives.
3. USAID contracting, program, and technical officers, with the full cooperation of PVOs and NGOs, must ensure that assistance instruments reflect a substantive concern for the achievement of fundamental goals and results, rather than a preoccupation with inputs and excessive documentation.
4. All USAID staff must follow prudent management, as opposed to micro-management, of assistance instruments. The responsibility for managing the programs and achieving results rests with the PVO and NGO recipients. USAID's role is to provide reasonable oversight, not to serve as "co-implementor" of the programs, which will be judged on outcomes.

The following additional specific principles must be applied to assistance instruments with PVOs and NGOs:

5. In determining the appropriate assistance instrument, USAID officers shall select cooperative agreements over grants only when it can be clearly demonstrated that substantial involvement will facilitate the achievement of program objectives.

6. The "substantial involvement" clause of cooperative agreements should be used as a mechanism for USAID involvement in the recipient's program only to the degree necessary for reasonable management oversight. Substantial involvement is not to be used as a device to provide undue oversight and control. Provisions for substantial involvement by USAID should be limited to those few which are essential to meet program requirements and assure achievement of mutual program objectives. The following provisions are considered essential:

- a. approval of annual workplans;
- b. approval of a limited number of key personnel; and
- c. USAID approval of monitoring and evaluation plans, and USAID involvement in monitoring progress toward the achievement of program objectives during the course of the cooperative agreement.

Any additional provisions thought to be necessary by USAID because of unique program requirements must be justified by USAID at the time the agreement is negotiated or amended. A list of areas of anticipated substantial involvement that exceeds the above provisions may be an indication that a contract, rather than a cooperative agreement, would be the appropriate instrument.

7. Clear and articulate guidelines are needed on the use of competition in selecting and awarding grants and cooperative agreements, and on the circumstances under which competition is neither feasible nor appropriate. Among the specific areas to be covered are the following:

- a. The circumstances and variables that guide determinations on the appropriate scope and range of competition, e.g., limiting eligible proposers to: only PVOs; all not-for-profits, including indigenous NGOs; open competition, but no profit or fee allowed; etc.
- b. Procedures that ensure an open, equitable, and transparent process in circumstances where USAID units are amenable to receive and consider unsolicited proposals. This process will both provide ample lead time and ensure timely response and feedback to applicants from the responsible USAID office.
- c. Policies, procedures, and standards guiding requests for and provision by USAID of award-related information on a post-award basis. This guidance should include a process for de-briefing non-successful organizations and clarification of the procedures whereby an organization may request resolution of issues arising from the award process, in writing, to USAID's procurement executive, with the expectation that the issues will be investigated and, if justified, corrected.
- d. Appropriate policies that address organizational conflict of interest as it applies to assistance instruments.

8. Reporting requirements should be standardized to the maximum extent possible and limited to the minimum number of reports necessary for monitoring and reporting on program performance. Program reporting requirements should aim to generate only essential information that will be used by the recipient of the report.

VI. Coordination

USAID's procurement reform agenda is coordinated by the Quality Control Unit in the Office of Procurement. Responsibility for coordination and follow-up on these policies rests with that office.

Attachments:

Attachment 1. Phase I Customer Service Plan

Attachment 2. Summary of Recent USAID Procurement Issues

Attachment 1, USAID - PHASE I CUSTOMER SERVICE PLAN

This document is the same document that has been published in the form of a booklet that is available to the public through USAID's Office of Public Inquiries.

Phase I Customer Service Plan

Establishing Quality Service Standards
for Working with USAID's Development Partners:

Private Voluntary
Organizations, Universities,
and Private Businesses

U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

Putting Customers First

The Report issued by the National Performance Review recommended major reforms in the way government does business. One of the major reforms the Report proposes is a new customer service contract as an essential part of government's mission. Executive Order 12862, "Setting Customer Service Standards," explains how to achieve the key principle in this contract, putting customers first. It calls on U.S. government agencies to identify their customers, to address their needs through regular interaction, and to develop standards for serving them based on their priorities.

Given the diversity of places, people and culture that is part of the U.S. Agency for International Development's (USAID's) development and humanitarian assistance programs, putting customers first presents an enormous management challenge. Unlike most U.S.

government agencies, USAID's ultimate customers are located outside our bodies. They are the in developing countries whose quality of life we work to improve.

Most of USAID's development and humanitarian assistance to our overseas customers is delivered by a variety of development partners, including U.S. private businesses, as well as host country governments and non-governmental organizations (NGO's). For USAID and our development partners to serve our customers effectively and achieve results, USAID's focus, systems and procedures need to be reengineered. As a government-reinvention lab, USAID is making progress toward developing such a system to meet the challenges of the post-Cold War world.

This booklet, Phase 1 of USAID's Customer Service Plan, outlines what you, our development partners, have told us are your concerns and presents a set of initial standards to address them.

USAID's MISSION

The U.S. Agency for International Development is the independent federal agency that manages U.S. foreign economic and humanitarian assistance programs around the world.

USAID works with individuals, governments, partners and other organizations to support sustainable development. Sustainable development means that economic and social growth does not exhaust local resources or damages the economic, cultural or natural environment.

USAID focuses on five areas critical to sustainable development:

- Environment
- Population and Health
- Democracy
- Broad-based Economic Growth
- Humanitarian Assistance and Support for Post-Crisis Transitions

USAID's DEVELOPMENT CUSTOMERS

USAID relies on the active participation of its partners to promote sustainable development and to deliver humanitarian assistance. The lasting impact of our development investments can be achieved only if the specific project objectives are met and activities are continued by our overseas customers after USAID funding ends. For this to happen, development efforts funded by USAID must serve the needs of our customers and have their commitment and support.

To achieve this, we need to focus on our customers' needs. We will use a variety of techniques to better understand these needs -- including surveys and other participatory methods. Phase II of USAID's Customer Service Plan will include surveying our overseas customers and developing and implementing Customer Service Plans in each of USAID's experimental reengineering labs in the field and Washington.

CUSTOMER SERVICE PLAN FOR DOMESTIC DEVELOPMENT PARTNERS

Phase 1 of USAID's Customer Service Plan addresses the concerns voiced by our U.S. PVO/NGO development partners and by universities and businesses.

USAID's relationship with these organizations are multifaceted and evolving. The Agency also acknowledges the important differences in the nature of our relationship with PVO's, which are generally grantees, and private firms, which work as USAID contractors. These distinct relationships suggest expectations and standards of performance on both sides.

Nevertheless, there are underlying common concerns. Over the past year, USAID has opened a dialogue with its partners and encouraged consultation to identify problems and review possible solutions. Meetings and conferences with our partners, including InterAction and the Advisory Committee on Voluntary Foreign Aid, have facilitated this dialogue. We also have reviewed the results of a USAID/PVO Task Force Report and suggestions resulting from a vendor meeting.

As key areas of concern, our development partners expressed the need for:

- improved quality in USAID procedures;
- improved timelines in USAID processing, and,
- greater access and transparency.

In working with PVO's, universities and private businesses, our goal is to eliminate burdensome administrative and procurement requirements and become "user-friendly" to our current and future development partners. As part of this ongoing effort, recent procurement policy changes simplified the administration of grants and cooperative agreements by modifying requirements in the following areas: trip reports, salary approvals, number of key personnel, approval of consultants, budget flexibility and system approvals.

This booklet, Phase I of USAID's Customer Service Plan, outlines what you, our development partners, have told us are your concerns and presents a set of initial standards to address them.

BENCHMARKING

The main purpose of our reinvention efforts is to improve USAID's systems and procedures. Many of the issues raised by our partners are being addressed in internal working groups reengineering our procurement, budget, personnel and operating systems. These groups have used and will continue to use the benchmarking process, finding the best practices used in business or government and then adapting them to improve our own operations. Our goal is for USAID's reengineered systems to equal or exceed the "best in business", providing us with the most efficient and effective way to provide development and humanitarian assistance.

FUTURE PLANS

We will routinely review these standards with our development partners, update them as necessary and create new ones based on the new processes being developed as part of

our reinvention efforts. We hope that the dialogue we have established will continue to make our partnerships with you stronger and more effective as we strive to serve our development customers.

As part of the Agency's objectives to focus on customer service and achieve results, we plan to continue ongoing formal and informal consultations with PVO's, universities and private sector partners and to hold semi- annual procurement town meetings.

We plan to review these customer service standards in six months, and we encourage you to consider similar "customer satisfaction" standards for the services you deliver to our most important customers - the people of developing countries.

STANDARDS FOR PVO's, UNIVERSITIES AND PRIVATE BUSINESSES

Based on issues and concerns raised in numerous forums, USAID has developed these standards to address your concerns. They represent the way USAID will work toward ensuring a better relationship with our development partners and service providers. USAID is committed to providing:

QUALITY

On a regular basis, we will communicate with our customers to improve our processes and simplify our business practices.

- You will be part of an ongoing, consultative process regarding policy, programmatic and/or procedural matters that affect you.
 - We will hold semiannual vendor meetings for service providers and partners.
 - We will periodically survey you to see if the changes in our policies and procedures are working to eliminate the impediments you have identified.
- If USAID issues a grant, cooperative agreement and/or contract to your organization, you will be assigned an Agency project officer to facilitate your relationship with us. The project officer will contact you and provide you with his/her phone number, address, E-mail address and fax number.
- To simplify the PVO registration process, we propose, in collaboration with our PVO partners, to:
 - Reduce the number of documents required from new PVO registrants from 18 to about eight;
 - Reduce the number of documents required annually from PVO registrants from six to four; and
 - Revise and simplify USAID Form 1550-2 used to compute a PVO's "privateness percentage."

- To be more consistent in applying USAID policies and procedures, our contracting and grants officers will:
 - Consistently interpret and apply policies and regulations in awarding grants and contracts;
 - Eliminate redundant procurement processes, procedures and reporting requirements by December 1994; and,
 - Publish and make available by September 30, 1994, "A Guide to Doing Business with the U.S. Agency for International Development," which will clearly and concisely describe USAID's policies and procedures.

TIMELINESS

We will improve the turnaround time for our process.

- We will answer your questions in a courteous, expedient and professional manner:
 - You will receive an initial response to E-mails within 24 hours; written inquiries will be answered within 10 working days from receipt. If a full response is not possible within these periods, we will indicate a probable timeframe for resolution.
- USAID's Office of Procurement will make non-competitive awards within 90 days and competitive awards within 150 days. We will modify contract and amend grants within 90 days of receipt of requests from action line offices.
- PVOs seeking registration and eligibility requirements to compete for development assistance grants funds will be sent a complete registration packet within five days from the receipt of inquiry.
- Applications to register new PVOs will be reviewed and formal notice of acceptance or denial will be mailed within eight weeks of receipt of fully completed application packages.
- Within three days of an organization's request for funds under a letter of credit, payment will be deposited in its bank account via electronic funds transfer.

ACCESS TO INFORMATION

USAID will offer greater access and more transparency to Agency activities and information.

- Within six months, outside vendors will be able to check an electronic bulletin board for the status of all invoices and payments.
- Assistance and acquisition information relevant to PVO's, NGO's, universities and private businesses are available to USAID's gopher (gopher.info.usaid.gov). These include:

- General information on USAID-funded programs;
- Country strategies and implementation guidelines; USAID publications;
- All USAID/Washington solicitation documents;
- USAID procurement policies and opportunities;
- All procurement award notices, posted within five working days of approval;
- All USAID Commerce Business Daily notices posted within five working days of approval;
- All USAID Commerce Business Daily notices, posted within 24 hours of appearing in the Commerce Business Daily;
- Center for Trade and Investment Services (CTIS) information on business opportunities; and,
- Office of Small and Disadvantaged Business Utilization (OSDBU) information on business opportunities.

USAID CONTACTS

Public Inquiries(202) 647-1850

Procurement (703) 875-1204

Business Opportunities—

Center for Trade and Investment Services(202) 663-2660 or 1-800-872-4348

Office of Small and Disadvantaged Business Utilization(703) 875-1551

Private Voluntary Organizations(703) 351-0222

Internet Address: gopher.info.usaid.gov

You can get a copy of the 1994 Customer Service Plan for USAID's partners by calling the general inquiry line, using the Internet address or writing to:

USAID Office of Public Inquiries
Bureau for Legislative and Public Affairs
320 21st Street, N.W.
Washington, D.C. 20523-0056

The same process can be used to address comments and inquiries about the quality of our services or USAID's Phase I Customer Service Plan.

Attachment 2: Summary of Recent USAID Procurement Reforms

1. As of July 11, 1994 (by cable - State 184498, dated 7/11/94) the cost-sharing requirement for registered PVOs has been modified to require "the largest reasonable and possible financial participation" of recipients, using a 25 percent contribution as a reference point. The Agency officer who authorizes the assistance activity will determine on a case-specific basis the appropriate amount of financial contribution from the PVO.

2. By General Notice of August 5, 1994, USAID instituted these specific reforms applicable to assistance instruments:

a. Systems approvals: Procedures have been developed for approving recipients' financial systems and procurement, personnel, and travel policies.

b. Salary approvals: There is no requirement under grants and cooperative agreements for approval of contractors' salaries above the ES-6 level.

c. Individual Consultants: No approvals are required for hiring individual consultants.

d. Key personnel approvals: No more than five persons, or five percent of the total number of employees, may be designated as "key" personnel, over which USAID is permitted to exercise approval. In addition, there is no requirement to submit multiple candidates for key positions.

e. International travel: The recipient is required to notify the USAID project officer of travel plans; it is the responsibility of the project officer to check with the Mission(s) and notify the recipient if such travel was not approved.

f. Trip reports are to be included in regular progress reports and not submitted separately.

3. Audit: Non-U.S. NGOs that receive less than \$100,000 per year agreement in direct USAID funding (up to a total of \$250,000 per year) no longer are required to follow OMB Circular A-133 audit requirements. (Source: USAID General Notice dated 5/6/94)

4. Customer Service Plan: A customer service plan which establishes performance standards for the USAID Office of Procurement (M/OP) has been put into place. M/OP will make non-competitive awards within 90 days and competitive awards within 150 days. M/OP will modify contracts and grants within 90 days of receipt of requests for action from line offices.